

MEMORANDUM

To: Housing and Community Development Committee
From: Judy Daniel, Planning and Development Director
Date: January 28, 2009
Subject: HTF Loan Applications- Woods Edge, Westmore, 57 Nancy St, Sulphur Springs

Background:

Staff has received four (4) applications for Housing Trust Fund financing. The total amount requested is \$1.4 million. The current balance available is \$611,030. In addition to the current fund balance, an early payoff on the Crowell Park development is anticipated in March for approximately \$480,000. Each application received has been scored competitively by three (3) staff members and one (1) outside expert. The applications are summarized below.

Summary:

A. Westmore- Mountain Housing Opportunities (MHO)

MHO has proposed a 72-unit rental development in West Asheville. The amount requested is \$470,000. The application received 129 of a possible 130 points. The project will be heavily leveraged with tax credit financing. Units will remain affordable to those below 60% AMI for a minimum of 30 years. There will be a variety of 1, 2, 3, and 4-bedroom units within the project. The per-unit subsidy is very low at \$6,527.

The project is easily accessible to transit and employment. 4 units will be ADA accessible. Success of previous projects demonstrates capacity for this type of project.

MHO has requested that the anticipated repayment from the Crowell Park HTF loan be reserved for this project. This presents three options for the Committee at the present time:

- a) Agree to approve the MHO loan subject to receipt of the Crowell Park payoff. This will allow the remaining three (3) projects to compete for current funds.
- b) Decline the request for reservation of funds, but include the application in today's agenda and let it compete on its own merit for the funds currently available (prior to loan payoff).

- c) Make no decision today, but agree to review the project competitively after the Crowell Park payoff has been received.

Pros:

- ? Large number of affordable units.
- ? Very low per-unit subsidy.
- ? Development team has been successful on similar projects.
- ? Substantial increase to the current tax base.
- ? 30 years of guaranteed affordability.
- ? Energy Star certification
- ? Complies with the Mayor's Task Force recommendation that rental housing be prioritized.

Cons:

- ? Partial rezoning required from C1-RM16.
- ? Large appropriation will more quickly deplete available funds.

B. Woods Edge- Related Apartment Preservation, LLC (RAP)

RAP has proposed a renovation of a 120-unit development in South Asheville. The loan amount requested is \$500,000. The development is not sub-standard as required by our current policy; however, due to the large number of units and the extremely low per-unit subsidy, the Committee agreed at the October meeting to review this project on its own merit.

The project scored extremely well, earning 115 out of a possible 130 points. The per-unit subsidy is \$4,166. The project will be highly leveraged with tax credits and will serve those below 60% AMI. Affordability will be guaranteed for a minimum of 30 years.

Pros

- ? Large number of affordable units.
- ? Extremely low per-unit subsidy.
- ? Developer has completed many similar projects nationwide
- ? 30 years of guaranteed affordability.
- ? Energy Star appliances and low-e windows.
- ? Complies with the Mayor's Task Force recommendation that rental housing be prioritized.

Cons

- ? Developer has no prior development history in this region.
- ? Current tenants whose income exceeds 60% AMI will be displaced as leases expire. (Developer has proposed an optional buyout with moving expenses).

- ? There are concerns about the rehab costs exceeding 50% of the current assessed value. This could trigger additional infrastructure requirements that could be cost prohibitive to the project.
- ? Planning and Zoning approval has not yet been received.
- ? The large appropriation will more quickly deplete available funds.

C. 57 Nancy Street- Kirk Booth

Mr. Booth has proposed a 12-unit rental project in West Asheville. The proposed project is a cottage development and has received Level I approval. All construction financing has been committed and the project is ready to move forward immediately. The loan amount requested is \$250,000. The application scored 95 out of a possible 130 points. The per-unit subsidy is \$20,833. The property is near transit and employment centers.

The developer has committed to marketing the project to Section 8 tenants; however there is no formal plan to maintain affordability beyond the initial three (3) year obligation. The Debt Cover Ratio (DCR) is somewhat tight at 1.05. The developer has not previously participated in the HTF program but has completed projects locally that are similar in size and scope.

Pros:

- ? The Development costs per unit are relatively low.
- ? The cottage development style allows for added density and housing appropriate for families with children.
- ? Project will be Energy Star Certified.
- ? Construction ready to proceed.
- ? Complies with the Mayor's Task Force recommendation that rental housing be prioritized.

Cons:

- ? Proposed rents near maximum.
- ? Long term affordability not guaranteed.
- ? No prior history with HTF.

D. Sulphur Springs- Mike Figura, Eco Concepts Development

The developer has proposed a twenty-seven (27) unit mixed-use development. Ten (10) of the proposed units will be affordable. The project scored 86 of a possible 130 points. Although the project will consist of 1, 2, and 3-bedroom units, all affordable units will be limited to two-bedroom floor plans. The requested loan amount is \$250,000 which translates to a per-unit subsidy of \$25,000. The development cost per unit is somewhat high at \$189,957 but this amount does include 3,577 feet of lower level commercial space.

The project meets many of the goals outlined in the City's strategic plans including high density, mixed-use, mixed-income, green building, and pedestrian-oriented infrastructure. The project is also a redevelopment of a blighted area and is easily accessible to transit and employment. The developer will partner with Mountain Housing Opportunities to target potential buyers below 80% AMI.

Pros:

- ? Meets the goals and objectives of the City strategic plans.
- ? Redevelopment of blighted area.
- ? LEED or NC Healthy Built Homes certification
- ? Eleven (11) units already under reservation.
- ? Partnership with MHO would preserve long-term affordability if down-payment assistance provided.

Cons:

- ? Per-unit subsidy relatively high.
- ? Developer has no prior HTF history.
- ? Developer has some development experience, but this is the largest project to date. No prior experience with mixed-used development.
- ? Development plan anticipates charging an additional \$3,000-\$4,000 per parking space as a disincentive to driving. If factored into the sales price, unit cost would exceed program guidelines.
- ? Construction financing not yet committed.
- ? Site not yet under control and extensive cleanup is needed.

Fiscal Impact: No fiscal impact is anticipated if appropriations do not exceed the fund balance of \$611,030.

Recommendation:

- ? Given the limited resources and the loan requests received, the Committee should first determine which, if any, of the proposed projects they feel are worthy of funding based on the goals and objectives of the fund.
- ? The potential of reduced funding for the next fiscal year requires even greater scrutiny and targeting of resources.
- ? Option a.), b.), or c.) should be chosen for the MHO Westmore project prior to further discussion.
- ? If funds are insufficient to fully fund the desired projects, then the decision must be made to fund only one or two proposals based on community benefit; or to consider partially funding multiple applications.
- ? Staff recommends that Westmore and Woods Edge be strongly considered for funding as they provide a substantial return on investment and ensure 30 years of guaranteed affordability.